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Fruit and Tree Nuts Outlook

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Citrus Crop and Prices Up in 2001/02

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World Agricultural
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Prices received by fruit growers have averaged higher during the first 2 months of 2001 over 2000. Consumer expenses for fresh fruit increased 6 percent this January over a year ago. Retail prices were higher for all major fruit and fruit products.

The 2001/02 citrus crop is forecast to total 16.4 million short tons. If realized, this season's harvest would be less than 1 percent larger than last season. The grapefruit and tangerine crops are expected to be larger in 2001/02 and the orange crop is expected to be the same size. From the start of the marketing season through February, growers have received higher average prices for their crops (except Temples) than they did in 2000/01.

The fresh orange crop, coming mostly from California and Arizona is projected to total 2.1 million short tons, 9 percent smaller than last season. Harvesting has been affected by frequent rainfall throughout the early portion of the navel orange season. The smaller crop and occasional declines in supply due to slowed harvesting during wet conditions have helped maintain average grower prices for November through February, at about \$4 per 75-pound box above the last two seasons.

The 2001/02 estimate for Florida's orange production is 10.3 million short tons, 2 percent more than last season. Since almost all of Florida's oranges go into making juice, juice production is expected to increase. Grower prices for processing oranges are up 28 percent from between October and February from the same time in 2000/01, but they are still lower than the previous 3 years.

U.S. fruit exports rose 1 percent in 2001 over 2000. Fresh and dried fruit exports rose, but canned fruit and juice exports fell. Imports declined 3 percent, with reduced quantities of fresh, frozen, and canned fruit and fruit juice.

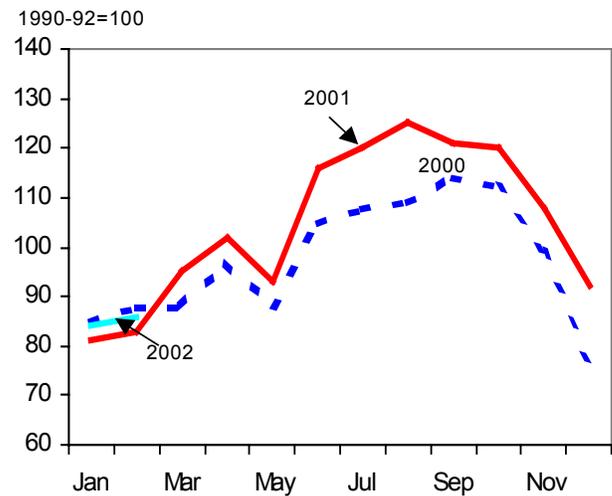
Price Outlook

Growers Price Index Continues Seasonal Upswing

The index of prices received by growers during January and February 2002 was above 2001 but lower than 2000 (fig. 1). Higher prices for fresh oranges, lemons, apples and pears helped push the index up over the previous year (table 1). Lemon prices recovered from unusually low prices in 2000/01 due to the largest crop since the mid-eighties and a big jump in imports, with the U.S. market opening to Argentine lemons for the first time. The expected smaller crop this year boosted prices at the beginning of the season. Similarly, the smaller supply of fresh oranges during this marketing season has increased growers' prices for fresh oranges substantially above the previous year for January and February. Larger crops of grapefruit and strawberries have pushed prices down from a year ago during the first 2 months of this year.

The January 2002 consumer price index (CPI) for fresh fruit increased 6 percent over January 2001. The CPI was higher for citrus fruit, bananas, and apples. The CPI for canned fruit was 2 percent over the previous January and 3 percent over December 2001. Retail prices were higher for all fruit and fruit

Figure 1
Index of prices received by growers for fruit and nuts



Source: National Agricultural Statistics Service, USDA.

products that are reported by the U.S. Department of Labor's Bureau of Labor Statistics (table 2). Higher prices this January for navel oranges and lemons reflected strong market demand and smaller crops. Banana prices were higher, as the higher price of imported bananas is passed on to the consumers. Fresh grapefruit retail prices were higher despite lower grower prices. The smaller supply of navel oranges and imported fruit such as bananas, grapes,

Table 1--Monthly fruit prices received by growers, United States

Commodity	2001		2002		2001-02 Change	
	Jan.	Feb.	Jan.	Feb.	Jan.	Feb.
	---- Dollars per box ----				Percent	
Citrus fruit: 1/						
Grapefruit, all	2.25	2.24	1.98	1.70	-12.0	-24.1
Grapefruit, fresh	4.20	4.66	3.91	3.70	-6.9	-20.6
Lemons, all	0.78	0.50	8.17	6.64	947.4	1,228.0
Lemons, fresh	6.37	6.27	15.93	12.83	150.1	104.6
Oranges, all	2.44	2.91	3.89	4.42	59.4	51.9
Oranges, fresh	6.17	7.01	10.79	10.44	74.9	48.9
Noncitrus fruit: ---- Dollars per pound ----						
Apples, fresh 2/	0.161	0.152	0.217	0.214	34.8	40.8
Grapes, fresh 2/	--	--	--	--	--	--
Peaches, fresh 2/	--	--	--	--	--	--
Pears, fresh 2/	0.170	0.126	0.141	0.138	-17.1	10.0
Strawberries, fresh	1.810	1.070	1.340	1.060	-26.0	-0.9

1/ Equivalent on-tree price.

2/ Equivalent packinghouse-door returns for CA, NY (apples only), OR (pears only), and WA (apples, peaches, and pears). Prices as sold for other States.

Source: National Agricultural Statistics Service, USDA.

and clementines may have contributed to the higher prices for grapefruit at the retail level. Prices for frozen concentrated orange juice were up only marginally as retail demand for FCOJ continues to decline.

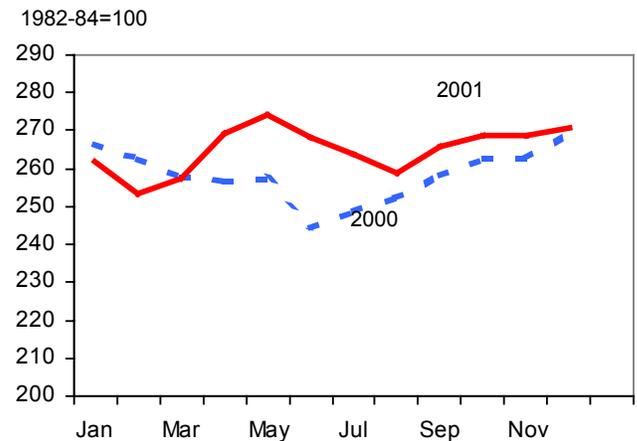
Fruit and Tree Nut Crop Value Down 2 Percent In 2001

The value of the 2001 fruit and tree nut crop fell 2 percent from 2000 to \$11.6 billion (table 3). Grapes, oranges, apples, and strawberries had the highest value of all fruit and tree nut crops. Together, they accounted for 61 percent of the total value of the 2001 crop. Many of the noncitrus and tree nut crops increased in value in 2001. Receipts for all the citrus crops, however, were down. Grapefruit revenues fell the greatest, declining 34 percent from the previous year. Lemon revenues fell 20 percent. The orange crop, valued at \$1.6 billion, fell only 2 percent.

Returns from the 2001 apple crop increased over the low 2000 value, however, they were still lower than 1999. The U.S. apple industry has been suffering from very low returns due to large crops and apple

Figure 2

Consumer Price Index for fresh fruit



Source: Bureau of Labor Statistics, U.S. Department of Labor.

juice imports over the past few years. The smaller 2001 crop helped boost prices and drove up revenues. Cranberry growers, who have also been experiencing low returns over the past few years also received higher returns for their 2001 crop, which at \$110 million was 15 percent higher than the 2000 crop.

Table 2--U.S. monthly retail prices, selected fruit, 2000-2001

Commodity	Unit	2000		2001		2000/01-01/02	
		Dec.	Jan.	Dec.	Jan.	Dec.	Jan.
Fresh:							
Valencia oranges	Lb	--	--	--	--	--	--
Navel oranges	Lb	--	0.638	0.713	0.715	--	12.1
Grapefruit	Lb	0.581	0.563	0.598	0.587	2.9	4.3
Lemons	Lb	1.111	1.082	1.404	1.357	26.4	25.4
Red Delicious apples	Lb	0.816	0.808	0.893	0.877	9.4	8.5
Bananas	Lb	0.487	0.500	0.505	0.509	3.7	1.8
Peaches	Lb	--	--	--	--	--	--
Anjou pears	Lb	--	0.945	0.984	1.024	--	8.4
Strawberries 1/	12-oz pint	--	--	2.526	2.498	--	--
Thompson seedless grapes	Lb	2.359	2.126	--	2.234	--	--
Processed:							
Orange juice, concentrate 2/	16-fl. oz	1.878	1.863	1.925	1.876	2.5	0.7
Wine	liter	5.412	5.630	5.948	6.232	9.9	10.7

-- Insufficient marketing to establish price.

1/ Dry pint.

2/ Data converted from 12 fluid ounce containers.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

California continues to receive the bulk of the value of fruit and tree nuts since so much of the production is concentrated there. In 2001, California had a 58-percent share of the total crop value, slightly higher than 2000. The value of California's fruit and tree nut crops at \$6.7 billion, however, declined 1 percent in 2001. Florida experienced a 20-percent decline in the value of its fruit and tree nut crops due to the low citrus returns. Florida ranks second in overall value,

with a 16-percent share, valued at \$1.5 billion. Washington's share of the value dropped only slightly to 10 percent. Its overall crop value, however, rose to \$1.4 billion, a 17-percent increase, mostly a result of improved apple returns. Returns for the remaining States with commercial fruit and tree nut production ranged from a low of \$504,000 in Rhode Island to a high of \$261 million in Oregon.

Table 3--Value of fruit and tree nut crops, by State, 1999-2001

State	Crop value			Share of U.S.			Percent change
	1999	2000	2001	1999	2000	2001	2000-01
	--1,000 dollars--			--Percent--			
Alabama	15,265	17,694	17,242	0.1	0.1	0.1	-2.6
Arizona	134,451	99,709	69,152	1.1	0.8	0.6	-30.6
Arkansas	10,949	10,952	9,223	0.1	0.1	0.1	-15.8
California	6,748,228	6,815,294	6,748,672	56.2	57.3	58.1	-1.0
Colorado	4,099	13,078	15,267	1/	0.1	0.1	16.7
Connecticut	8,244	8,043	6,705	0.1	0.1	0.1	-16.6
Florida	1,763,812	1,919,023	1,536,207	14.7	16.1	13.2	-19.9
Georgia	150,970	161,166	114,004	1.3	1.4	1.0	-29.3
Hawaii	165,451	159,899	152,798	1.4	1.3	1.3	-4.4
Idaho	18,924	26,137	24,540	0.2	0.2	0.2	-6.1
Illinois	15,722	18,566	15,585	0.1	0.2	0.1	-16.1
Indiana	16,462	14,234	12,581	0.1	0.1	0.1	-11.6
Iowa	3,514	2,411	2,396	1/	1/	1/	-0.6
Kansas	5,178	806	1,835	1/	1/	1/	127.7
Kentucky	2,782	1,777	3,029	1/	1/	1/	70.5
Louisiana	18,836	13,923	7,532	0.2	0.1	0.1	-45.9
Maine	46,224	52,354	31,295	0.4	0.4	0.3	-40.2
Maryland	7,711	8,091	9,383	0.1	0.1	0.1	16.0
Massachusetts	47,275	50,715	46,856	0.4	0.4	0.4	-7.6
Michigan	249,763	218,999	210,267	2.1	1.8	1.8	-4.0
Minnesota	7,578	7,523	7,405	0.1	0.1	0.1	-1.6
Mississippi	3,975	2,945	4,000	1/	1/	1/	35.8
Missouri	14,047	10,697	11,815	0.1	0.1	0.1	10.5
Montana	1,076	1,569	1,272	1/	1/	1/	-18.9
New Hampshire	9,023	7,655	6,610	1/	1/	0.1	-13.7
New Jersey	77,206	76,534	84,518	0.6	0.6	0.7	10.4
New Mexico	62,900	49,982	34,908	0.5	0.4	0.3	-30.2
New York	222,601	177,497	186,966	1.9	1.5	1.6	5.3
North Carolina	66,683	69,951	58,468	0.6	0.6	0.5	-16.4
Ohio	30,686	33,272	35,963	0.3	0.3	0.3	8.1
Oklahoma	42,296	8,463	14,178	0.4	0.1	0.1	67.5
Oregon	292,875	247,154	261,288	2.4	2.1	2.2	5.7
Pennsylvania	113,939	98,858	138,319	0.9	0.8	1.2	39.9
Rhode Island	1,079	790	504	1/	1/	1/	-36.2
South Carolina	33,021	32,679	38,649	0.3	0.3	0.3	18.3
Tennessee	3,095	3,330	3,221	1/	1/	1/	-3.3
Texas	121,274	92,149	112,053	1.0	0.8	1.0	21.6
Utah	7,985	16,834	8,419	0.1	0.1	0.1	-50.0
Vermont	10,640	8,665	8,065	0.1	0.1	0.1	-6.9
Virginia	41,655	40,598	52,628	0.3	0.3	0.5	29.6
Washington	1,304,168	1,214,749	1,419,981	10.9	10.2	12.2	16.9
West Virginia	16,221	9,678	12,360	0.1	0.1	0.1	27.7
Wisconsin	89,757	66,947	78,180	0.7	0.6	0.7	16.8
United States	12,007,640	11,891,390	11,614,339	100.0	100.0	100.0	

1/ Less than 0.05 percent.

Source: National Agricultural Statistics Service, USDA.

Citrus Crop Fractionally Bigger than Last Season, Prices Averaging Higher

The 2001/02 citrus crop is forecast to total 16.4 million short tons, according to the March 8, 2002, *Crop Production* report from the U.S. Department of Agriculture's National Agricultural Statistics Service (table 4). If realized, this season's harvest would be less than 1 percent larger than last season. The grapefruit and tangerine crops are expected to be larger in 2001/02 and the orange crop is expected to be the same size. Florida's citrus crops are all forecast larger this season, but the orange crops out of California, Arizona, and Texas are forecast smaller. From the start of the marketing season through February, growers have received higher average prices for their crops (except Temples) than they did in 2000/01.

Fewer Fresh Oranges Available During the 2001/02 Season

The fresh orange crop, coming mostly from California and Arizona, is projected to total 2.1 million short tons, 9 percent smaller than last season. Harvesting has been affected by frequent rainfall throughout the early portion of the navel orange season. Growers have also had to deal with freeze and frost during January. Despite some adverse weather conditions, about 60 percent of the navel crop was harvested by the first week in March.

As a result of the smaller crop this year, the navel season is expected to end earlier than usual, possibly finishing in April, a month earlier than normal. The Valencia orange harvest began in mid-February. The smaller amount of navels available in the market

Table 4--U.S. citrus: Utilized production, 1998/99-2000/01 and forecast 2001/02 1/

Crop and State	Utilized				2000/01-2001/02
	1998/99	1999/2000	2000/01	2001/02 2/	Change
	--1,000 short tons--				Percent
Oranges	9,824	12,997	12,390	12,392	0.0
Arizona	43	41	34	26	-23.5
California	1,350	2,400	2,212	2,025	-8.5
Florida	8,370	10,485	10,049	10,260	2.1
Texas	61	71	95	81	-14.7
Grapefruit	2,513	2,762	2,469	2,505	1.5
Arizona	25	15	8	7	-12.5
California	245	241	218	208	-4.6
Florida	2,000	2,269	1,955	1,998	2.2
Texas	244	237	288	292	1.4
Tangerines	327	458	369	414	12.2
Arizona	36	32	24	24	0.0
California	56	94	79	86	8.9
Florida	235	332	266	304	14.3
Lemons	747	840	1,000	954	-4.6
Arizona	131	118	137	118	-13.9
California	616	722	863	836	-3.1
Other citrus 3/					
Florida	200	192	153	168	9.8
Total	13,611	17,249	16,381	16,433	0.3

1/ The crop year begins with the bloom of the first year shown and ends with the completion of harvest the following year. 2/ Forecast as of March 8, 2002. 3/ Includes Temples, tangelos, and K-early citrus.

during the spring should result in good prices for Valencia growers. Valencia growers have been experiencing weakening demand for their oranges over the past few seasons.

The rains may have had a beneficial effect on grower prices by keeping down inventories in the marketplace. The rains caused a slow harvest at the beginning of the season, bringing growers the highest November prices in the past five seasons (fig. 3). As harvesting picked up, prices fell below 1998/99 when half the crop was lost due to a severe freeze. They have, however, remained considerably above the past two seasons. The smaller crop and occasional drops in supply due to slowed harvesting during wet conditions have helped maintain average grower prices for November through February, at about \$4 per 75-pound box above the last two seasons.

More Oranges Available for Orange Juice in 2001/02

The 2001/02 estimate for Florida's orange production is 10.3 million short tons, 2 percent more than last season. Since almost all of Florida's oranges go into making juice, juice production also is expected to be up. With juice yields per box remaining the same as last year, the larger crop of oranges is expected to produce 1.4 billion gallons of single-strength

equivalent orange juice in 2001/02 (table 5). Added to the higher production, large beginning juice stocks coming into this season pushed up the estimate for total supply 4 percent over a season ago. Exports are expected to be higher, mostly due to the smaller crop and juice production in Brazil.

Brazil's production is expected to be at its lowest since 1991 (table 6). As a result, Brazilian frozen concentrated orange juice (FCOJ) exports are expected to decline 17 percent. With less Brazilian juice available, international demand for U.S. FCOJ should be strong.

Grower prices for processing oranges are up 28 percent between October and February, averaging \$2.41 per 90-pound box (table 7). While prices are above last season during this time, they are still lower than the previous 3 years when prices ranged from an average of \$2.63 a box in 1997/98 to \$3.91 a box in 1998/99. The higher prices for oranges this season can largely be attributed to the strong demand from processors in response to the smaller Brazilian crop. Prices would not typically be expected to be as high as they have been with the expected bigger crop than a season ago and the large beginning juice stocks.

FCOJ movement has been stronger this season than the previous two seasons. As of early March, retail movement was behind the two previous seasons. In

Table 5--United States: Orange juice supply and utilization, 1986/87-2001/02

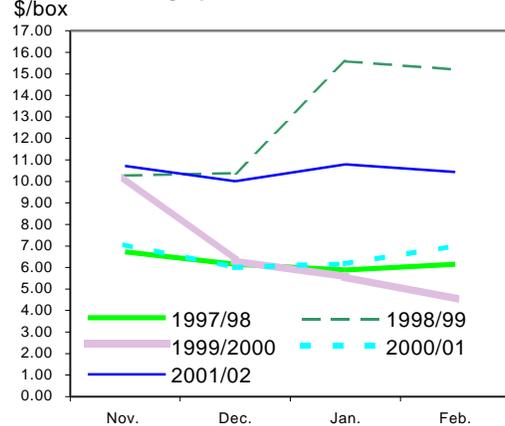
Season 1/	Supply					Utilization		
	Beginning stocks	Production	Imports	Total		Ending stocks	Consumption	
				supply	Exports		Domestic	Per capita
--Million gallons, single-strength equivalent--								
								Gallons
1986/87	204	781	557	1,542	73	201	1,267	5.2
1987/88	201	907	416	1,524	90	212	1,223	5.0
1988/89	212	970	245	1,427	73	233	1,258	5.1
1989/90	233	652	528	1,413	90	225	1,062	4.2
1990/91	225	876	320	1,422	96	158	1,174	4.6
1991/92	158	930	286	1,373	107	170	1,096	4.3
1992/93	170	1,207	298	1,675	114	249	1,312	5.2
1993/94	249	1,133	425	1,808	107	360	1,340	5.1
1994/95	360	1,257	240	1,858	117	434	1,306	5.4
1995/96	434	1,271	221	1,927	119	417	1,391	5.3
1996/97	417	1,437	295	2,149	148	564	1,437	5.4
1997/98	564	1,555	281	2,400	148	679	1,573	5.8
1998/99	679	1,236	350	2,265	150	534	1,581	5.8
1999/00	534	1,481	339	2,354	146	634	1,575	5.7
2000/01	634	1,389	258	2,281	123	694	1,464	5.3
2001/02	694	1,418	270	2,382	137	640	1,605	5.7

1/ Season begins in December of the first year shown. As of 1998/99, marketing season begins in October. 2/ Preliminary.

Sources: Economic Research Service and Foreign Agricultural Service, USDA.

Figure 3

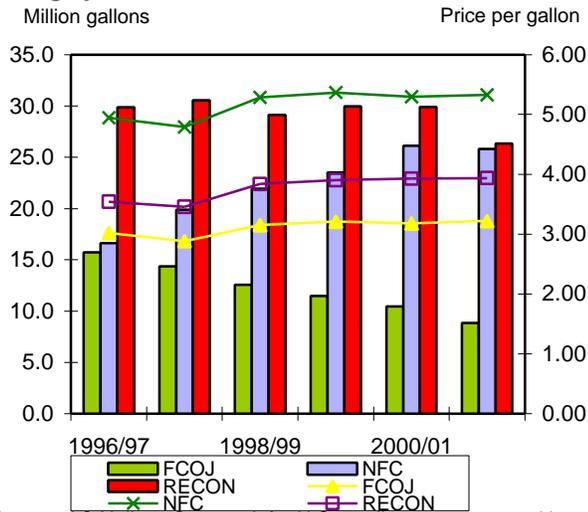
U.S. fresh orange prices, 1997/98-2000/01



Source: National Agricultural Statistics Service, USDA.

Figure 4

Average monthly retail sales and price of orange juice, 1996/97-2001/02



Source: AC Nielsen Scantrack for U.S. retail grocery stores with sales over \$2 million annually.

contrast, bulk movement was about 10 percent ahead. With imports down 21 percent so far, demand for Florida's bulk FCOJ is strong.

Retail demand for FCOJ has been declining since the mid-nineties when not-from-concentrate (NFC) orange juice began gaining popularity. According to AC Nielsen Scantrack data for supermarkets with sales over \$2 million, NFC has averaged about \$2 per gallon above FCOJ and \$1.40 above reconstituted orange juice (RECON) over the past 6 years (fig. 4). Despite the \$2 per gallon premium on NFC over FCOJ, consumer preference for NFC appears to be very strong. Even during the economic downturn that began in March 2001, consumer purchases of NFC declined

only 1 percent while FCOJ and reconstituted orange juice purchases fell 15 and 12 percent, respectively. It appears that too many consumers, not all forms of orange juice are substitutable and that consumers just reduced their orange juice purchases at supermarkets rather than switch to the less expensive forms.

Grapefruit Production Expected Higher in 2001/02

Grapefruit production is expected to total 2.5 million short tons in 2001/02, 2 percent above last season. Both Florida's and Texas' production are expected to be higher this season, but smaller crops are expected out of California and Arizona. Florida's production, which is expected to account for 80 percent of this season's grapefruit crop, increased 2 percent even though bearing acreage has been declining steadily over the past few years.

Florida fresh grapefruit utilization has been running behind the previous two seasons as of late February, according to the Florida Citrus Administrative Committee. As of February 24, about 20 percent of the crop has gone to fresh use compared with 22 percent the previous two seasons. Another 23 percent has gone to processing. The slightly higher percentage of fruit going to processing this season compared with the previous two seasons may have an adverse effect on grower prices. A greater proportion of grapefruit can be expected to go to processing as the season progresses. Processors increase their demand for grapefruit as orange processing declines. As of February, grower prices for all Florida grapefruit averaged \$2.41 per 85-pound box, compared with

Table 6--Brazilian FCOJ production and utilization, 1991-2000

Season 1/	Begin- ning stocks	Pro- duction	Domestic consump- tion	Ex- ports	Ending stocks 2/
--Million SSE gallons 3/--					
1991	177	1,334	25	1,390	96
1992	96	1,610	25	1,532	148
1993	148	1,572	25	1,546	148
1994	148	1,583	31	1,482	218
1995	218	1,525	25	1,476	242
1996	242	1,620	24	1,660	177
1997	177	1,954	22	1,778	331
1998	331	1,665	26	1,586	370
1999	370	1,912	22	1,821	439
2000	439	1,659	22	1,778	297
2001	297	1,350	22	1,483	141

1/ Season begins in July.

2/ Data may not add due to rounding.

3/ SSE = single-strength equivalent. To convert to metric tons at 65 degrees brix, divide by 1.40588

Source: Foreign Agricultural Service, USDA.

Table 7--Processing oranges: Average equivalent on-tree prices received by growers, Florida, 1997/98-2001/02

Month	1997/98	1998/99	1999/200	2000/01	2001/02
---Dollars/90-lb box---					
October	2.03	3.27	--	1.62	--
November	2.44	3.70	2.82	1.76	1.70
December	2.62	3.93	2.97	1.87	2.25
January	2.85	4.26	3.14	1.99	2.75
February	3.19	4.39	3.13	2.21	2.94
March	4.80	5.29	3.15	2.98	
April	4.93	5.33	4.49	3.95	
May	5.13	5.45	4.60	3.90	
June	5.18	5.45	4.46	3.40	
July	--	--	3.98	--	
August	--	--	--	--	
September	--	--	--	--	

-- = Not available.

Source: National Agricultural Statistics Service, USDA.

Table 8--All grapefruit: Average equivalent on-tree prices received by growers, Florida, 1999/2000-2001/02

Month	1999/2000	2000/01	2001/02
--Dollars per 85-lb box--			
September	--	--	--
October	7.11	4.58	4.79
November	4.29	2.38	2.45
December	4.34	2.28	1.66
January	4.40	2.24	1.68
February	3.79	2.29	1.49
Average	4.79	2.75	2.41

-- = Not available.

Source: National Agricultural Statistics Service, USDA.

\$2.75 last season and \$4.79 in 1999/2000 (table 8). Fresh grapefruit prices started out strong in October when the season began due to the marketing order restriction on fruit size that limited the quantity of fruit available for the fresh market. As the season progressed, however, fresh grapefruit prices declined. As of February, prices were averaging about 5 percent lower than the previous season.

Movement of bulk frozen concentrated grapefruit juice (FCGJ) has been strong so far this season (October through February). Movement for retail size packs as well as for chilled grapefruit juice, however, is behind last season to date. Industry data show that chilled grapefruit juice export shipments are up so far this season. The stronger international demand is not sufficient, however, to offset slow domestic demand. Since grapefruit juice stocks are running ahead of last season for both FCGJ and chilled, processors will likely not increase the price they are willing to pay

growers for their fruit this season, especially with the larger crop. Under these conditions, prices received by grapefruit growers will likely not improve as the season progresses and growers can again face unutilized production as they have periodically over the past few years.

Smaller Lemon Crop Should Help Boost Prices

Lemon production is expected to total 954,000 short tons in 2001/02, 5 percent smaller than last season, but larger than the previous 3 years. California's production, which is expected to account for 87 percent of the total, declined 3 percent. The smaller supply has driven up grower prices from August through February. The higher prices and good-sized crop should help bring good returns in 2001/02.

Strong Demand for Plentiful Supply of Tangerines Expected in 2001/02

The 2001/02 tangerine crop is forecast at 414,000 tons, 12-percent larger than last season and 10-percent smaller than the record 1999/2000 crop. Florida's production is expected to account for 73 percent of the tangerine crop. About 67 percent of Florida's tangerines are the early varieties—Robinson, Fallglo, Sunburst, and Dancy. Harvesting of these tangerines was completed by the last week in January, with utilization ahead of the previous two seasons. The harvesting of honey tangerines, the late variety, began in mid-January. By the last week in February about 47 percent of the honey tangerines remained to be harvested, a smaller proportion than in the previous two seasons.

Two important factors help drive the strong demand for tangerines this season--the slow start of the navel orange crop and the ban on Spanish clementines. The delays in the navel crop harvesting pushed retailers to look for substitutes, increasing the demand for tangerines during the beginning of the season. Once

Table 9--Fresh tangerines: Average equivalent on-tree prices received by growers, 1999/2000-2001/02

Month	1999/2000	2000/01	2001/02
--Dollars per 95-lb box--			
October	12.22	7.61	11.80
November	11.51	11.99	12.01
December	9.72	9.44	12.74
January	13.46	14.45	15.74
February	9.81	14.35	14.31
March	10.30	15.76	
April	10.47	12.33	
May	9.61	21.40	

Source: National Agricultural Statistics Service, USDA.

USDA's Animal and Plant Health Inspection Service banned clementine imports from Spain after discovering Mediterranean fruit flies in several shipments in November, retailers again were looking for a substitute, of which the tangerines were the most likely.

As a result of the higher demand for tangerines this season, grower prices for all tangerines increased to an

average of \$13.32 per 95-pound box, the highest since 1998/99 when low production pushed up prices (table 9). The peaks in f.o.b. prices in November and early December show how markets reacted to the short supply of navels and the clementine ban (fig. 5). Prices returned to normal at the end of January when honey tangerines took over the market and the clementine import season in the United States neared its end.

Fruit and Nut Trade

Fruit Exports Held Steady in 2001

U.S. fruit exports rose 1 percent in 2001 over 2000. Fresh and dried fruit rose, but canned fruit and juice exports fell. Valued at \$3.4 billion, 2001 exports were 1 percent greater than the previous year. Fresh fruit accounted for about 62 percent of the total. The share of fresh fruit shipped to the two biggest markets, Canada and Japan, declined from 2000. Exports to Mexico, the third largest market for U.S. fresh fruit products, increased 9 percent. While shipments to Mexico continued to grow last year, the increase was considerably less than the previous 2 years. Shipments were also up to Malaysia and much of the European Union. Shipments to India jumped sharply in 2001 after signing an agreement to allow U.S. grapes into the country. The value of the 2001 fresh grape shipments totaled almost \$2 million, almost half the total U.S. fresh fruit exported to India. A similar trade agreement with Australia, allowing U.S. grapes into the country, was just signed in February and is

expected to help increase grape exports further in the years to come.

Exports of fresh cherries and peaches/nectarines, which are marketed on a calendar year basis, increased exports during 2001 over the previous season (table 9). While the larger crop of cherries resulted in more fruit available for export, the lower grower price of the 2001 crop resulted in a decline in the overall value of last year's sweet cherry exports. Fresh peach and nectarine exports, however, experienced strong growth in both quantity and value, both increasing about 15 percent over 2000.

The marketing season is just underway for the new citrus crop. The wet conditions in California that delayed harvesting at the beginning of the fresh orange season, reducing the quantity of fruit exported compared with the previous season. A smaller lemon crop this season has contributed to a 10-percent decline in lemon exports so far this season. Frozen concentrated orange juice (FCOJ) exports have benefited from a larger Florida orange crop this

Table 10--U.S. exports of selected fruit and tree nut

Commodity	Marketing season	Season-to-date (through December)		Year-to-date change
		2000	2001	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	183,016	109,107	-40.4
Grapefruit	September-August	230,728	221,971	-3.8
Lemons	August-July	89,383	80,421	-10.0
Apples	August-July	680,947	550,601	-19.1
Grapes	May-April	622,721	625,920	0.5
Pears	July-June	231,071	230,552	-0.2
Peaches (including	January-December	254,861	292,555	14.8
Strawberries	January-December	136,599	128,116	-6.2
Sweet cherries	January-December	80,140	84,326	5.2
		--- 1,000 gallons ---		
Processed:				
Orange juice, frozen concentrate	October-September	10,030	11,205	11.7
Orange juice, not from concentrate	October-September	17,492	12,385	-29.2
Grapefruit juice	December-November	1,869	1,196	-36.0
Apple juice and cider	August-July	2,802	3,057	9.1
Wine	January-December	71,174	74,290	4.4
		--- 1,000 pounds ---		
Raisins	August-July	117,323	110,967	-5.4
Canned pears	June-May	6,856	8,015	16.9
Canned peaches	June-May	18,967	11,090	-41.5
Frozen strawberries	January-December	42,749	42,883	0.3
		--- 1,000 pounds ---		
Tree nuts:				
Almonds (shelled basis)	August-June	257,537	298,269	15.8
Walnuts (shelled basis)	August-July	62,169	64,982	4.5
Pecans (shelled basis)	July-June	11,104	10,456	-5.8
Pistachios (shelled basis)	September-August	10,845	12,340	13.8

-- = No data.

Source: Bureau of the Census, U.S. Department of

season, as well as a smaller crop out of Brazil. Most tree nut exports have increased this season over a season ago, reflecting the larger crop of almonds, walnuts, and pistachio nuts this year.

A Smaller Quantity of Banana Imports Drove Down 2001 Fruit Imports

Fruit imports declined 3 percent in 2001 over 2000, with reduced quantities of fresh, frozen, and canned fruit and fruit juice (table 10). A decrease in banana imports, which comprised about 30 percent of the total volume of imports contributed to the overall decline. Due to the smaller quantity of bananas in the world market, banana prices were higher in 2001, helping bring the value of imports up about 4 percent to \$4 billion. Costa Rica continued to be the major source of bananas for the United States in 2001 followed by Ecuador. While imports fell from these two countries, Guatemala's shipments rose 26 percent, making it the third major source, pushing ahead of Colombia.

Orange imports have been up during the early months of the new season due to the slow start of the domestic harvest. Tangerine imports are off as a result of the ban on Spanish clementines after Mediterranean fruit fly larvae were found in some shipments in November. Clementine shipments are the greatest from October through January, falling off sharply and ending by February. Grape imports are also lower this winter, due to a decline in shipments from Chile, whose season began in November.

Chilean Fruit Imports Down Slightly in 2001

Total fruit imports from Chile fell about 1 percent in 2001 from the previous year. They were valued at \$629 million, up fractionally from 2000 (tables 11 and 12). Plum, strawberry, apple, and peach imports grew the most, reflecting good growing conditions for these crops in Chile. Apple imports have been growing over the past several years, and now rank only behind grapes as the largest volume of fresh fruit shipped by Chile to the United States. Unfavorable weather during Chile's spring months, however, is

Table 11--U.S. imports of selected fruit and tree nut products

Commodity	Marketing season	Season-to-date (through December)		Year-to-date change
		2000	2001	
		--- 1,000 pounds ---		Percent
Fresh-market:				
Oranges	November-October	2,336	5,002	114.1
Tangerines (including clementines)	October-September	150,229	110,715	-26.3
Lemons	August-July	37,475	43,971	17.3
Limes	September-August	135,901	22,573	-83.4
Apples	August-July	70,461	58,257	-17.3
Grapes	May-April	775	660	-14.7
Pears	July-June	20,914	21,402	2.3
Peaches (including nectarines)	January-December	97,795	121,590	24.3
Bananas	January-December	8,885,993	8,467,085	-4.7
Mangoes	January-December	518,306	524,597	1.2
		--- 1,000 gallons ---		
Processed:				
Orange juice, frozen concentrate	October-September	68,271	53,653	-21.4
Apple juice and cider	August-July	118,609	145,016	22.3
Wine	January-December	116,233	123,846	6.55
		--- 1,000 pounds ---		
Canned pears	June-May	1,947	14,159	627.1
Canned peaches	June-May	69,384	73,730	6.3
Canned pineapple	January-December	700,670	647,405	-7.6
Frozen strawberries	January-December	77,988	75,878	-2.7
		--- 1,000 pounds ---		
Tree nuts:				
Brazil nuts (shelled basis)	January-December	30,495	25,996	-14.8
Cashews (shelled basis)	January-December	181,904	186,893	2.7
Pine nuts (shelled basis)	January-December	4,321	8,028	85.8
Pecans (shelled basis)	July-June	24,731	14,107	-43.0

Source: Bureau of the Census, U.S. Department of Commerce.

expected to result in a smaller supply for 2002. Table grape shipments are off so far this season, from November and December 2001. According to a U.S. Department of Agriculture Foreign Agricultural

Service attache report, 2002 should be a good year for Chile grape production, and U.S. shipments should rise during the calendar year from 2001.

Table 12--The volume of selected fresh fruit and juice imports from Chile, 1992-2001

Commodity	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	-1,000 lbs-									
Fruit and preparation	1,008,411	989,201	1,041,391	977,801	1,080,378	1,034,097	1,089,019	1,129,979	1,331,652	1,319,829
Fresh and frozen fruit	998,693	975,067	1,023,762	962,573	1,068,810	1,018,080	1,080,822	1,113,465	1,308,535	1,299,929
Apples	58,721	55,694	44,946	45,332	62,759	58,667	82,198	94,735	96,356	127,173
Avocados	35,487	3,931	40,498	25,069	35,876	33,366	98,670	70,039	112,765	108,371
Berries, excluding strawberries	4,440	4,628	6,743	7,977	20,082	18,643	10,440	18,963	20,158	21,393
Grapes	612,989	615,542	619,302	581,633	645,724	600,392	637,650	606,128	792,954	704,335
Kiwifruit	27,141	42,867	54,777	74,000	69,730	61,017	59,264	55,052	54,439	52,926
Peaches	115,937	90,869	97,807	99,850	96,262	89,842	76,220	105,712	95,839	119,974
Pears	78,576	98,792	97,904	57,364	73,658	82,047	50,908	74,339	54,764	57,301
Plums	55,680	48,906	48,094	50,036	45,206	50,163	43,470	58,517	50,906	73,367
Strawberries (fresh and frozen)	432	645	0	39	31	416	127	460	1,848	2,622
	-1,000 single-strength equivalent gallons-									
Apple juice	30,599	34,055	19,512	18,438	29,875	29,788	32,085	64,015	40,137	57,915
Grape juice	3,234	293	1,251	3,886	7,002	4,535	1,796	3,933	3,961	5,826

Source: Bureau of the Census, U.S. Dept. of Commerce.

Table 13--The value of selected fresh fruit and juice imports from Chile, 1992-2001

Commodity	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
	-1,000 dollars-									
Fruit and preparation	300,972	296,746	340,826	327,757	440,228	414,913	439,331	524,694	624,743	629,270
Fresh and frozen fruit	296,078	288,845	329,668	320,143	432,028	404,813	433,219	512,789	609,805	617,118
Apples	11,558	9,466	7,096	7,025	13,088	14,386	17,140	28,952	22,552	33,297
Avocados	13,093	1,530	22,242	10,863	16,485	15,924	46,562	38,515	70,004	52,849
Berries, excluding strawberries	3,852	3,897	5,398	7,178	13,626	13,711	8,622	16,740	19,475	22,064
Grapes	193,718	202,848	216,766	212,509	294,001	264,746	277,647	304,670	388,461	378,814
Kiwifruit	9,674	10,902	13,840	18,370	18,344	14,965	16,295	18,770	13,229	13,854
Peaches	32,784	25,999	28,674	30,695	33,544	31,298	28,490	42,518	38,924	47,554
Pears	11,780	14,889	16,071	9,393	15,665	18,537	10,644	20,338	17,394	17,190
Plums	15,642	14,045	14,429	15,756	17,523	21,032	17,780	25,887	23,231	29,129
Strawberries (fresh and frozen)	190	316	-	47	18	259	84	309	1,052	1,526
Apple juice	43,665	26,062	10,671	23,874	40,349	34,866	23,512	46,879	41,503	37,721
Grape juice	4,769	553	1,506	4,076	8,509	8,518	3,731	7,850	5,793	6,139

Source: Bureau of the Census, U.S. Department of Commerce.

Commodity Highlight

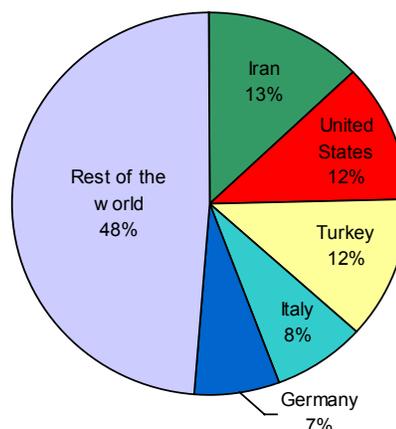
Cherries: Sweet and Tart

Cherries are believed to have originated in Asia and through the centuries have been cultivated across the world. Early settlers brought cherries to America in the 1600s, but modern day cherry production didn't start until the mid-1800s. It was in 1893 that the first commercial tart cherry orchards were established in Michigan. By the 1900s, the tart cherry industry was firmly established in the State. Meanwhile, the first sweet cherry orchard was established in 1847 in western Oregon. It was, however, around the 1870s, when sweet cherry production reached commercial status. Since then, modern day cherry production flourished in America and to this day, the United States is recognized as one of the leaders in world cherry production.

United States is World's Second Largest Cherry Producer

With harvested acreage ranking sixth largest in the world and average per-acre yields well above the world average, the United States is the world's second largest producer of cherries, closely following Iran. Just slightly below the U.S. volume, Turkey is the third largest producer and together, these top three producers grow over a third of the world's cherry output (fig.6).

Figure 6
Top five world producers of cherries*



*Average share of 1997-2001 world production.

Source: Food and Agriculture Organization of the United Nations.

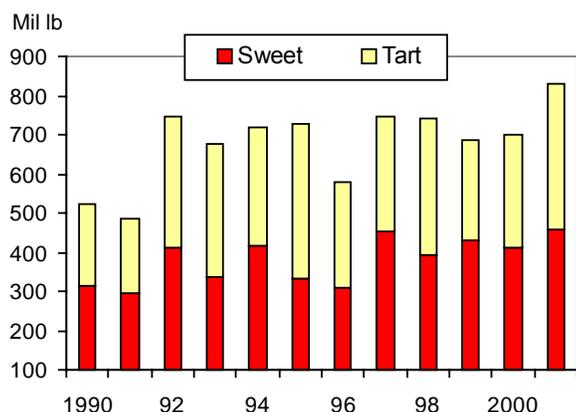
During 1997 to 2001, world cherry production averaged 1.7 million metric tons, up 23 percent from 1990 according to data from the Food and Agriculture Organization of the United Nations. Independently the United States produced an average of 12 percent of the world's output during the same 5-year period, up slightly from a 10-percent share in 1990. Italy and Germany complete the top five producers, with combined production accounting for 15 percent of world output.

Table 14--Cherries, sweet: Production, utilization, and season-average grower price, United States, 1980 to date

Year	Production		Utilization		Grower price		
	Total	Utilized	Fresh	Processed	Fresh	Processed	All
--Million pounds--				--Cents/pound--			
1980	347.4	336.6	172.9	163.7	36.2	18.8	27.7
1981	309.1	295.0	143.5	151.6	46.8	22.4	34.3
1982	313.2	269.2	135.2	134.0	48.5	21.4	35.0
1983	362.4	337.5	190.2	147.4	39.3	21.5	31.5
1984	363.6	328.5	181.0	147.5	40.0	18.9	30.5
1985	265.0	253.0	106.1	146.9	59.5	25.8	40.0
1986	275.4	273.5	136.6	136.9	54.5	27.6	41.2
1987	430.0	426.0	216.3	209.8	47.7	26.8	37.4
1988	372.4	369.0	174.5	194.6	55.0	25.5	39.4
1989	386.9	381.9	207.0	174.8	46.6	22.7	35.7
1990	313.5	264.7	141.0	123.7	65.5	21.2	44.7
1991	297.1	279.8	133.4	146.4	65.0	33.4	48.4
1992	410.0	383.3	190.0	193.3	60.0	31.5	45.8
1993	336.7	320.8	159.3	161.5	85.0	34.3	59.5
1994	414.2	385.4	198.5	186.9	74.0	28.3	52.0
1995	330.6	305.8	128.5	177.3	112.5	27.6	63.0
1996	308.2	303.4	161.3	142.1	106.0	36.5	73.5
1997	451.5	447.0	230.9	216.1	84.0	39.2	62.5
1998	393.8	387.8	203.9	183.9	76.0	31.8	55.0
1999	432.2	426.5	246.8	179.7	75.0	27.8	55.0
2000	413.0	408.0	241.5	166.5	95.0	26.8	67.0
2001	460.2	438.9	291.3	147.6	83.0	26.4	64.0

Source: National Agricultural Statistics Service, USDA.

Figure 7

Total cherry production in the United States

Source: National Agricultural Statistics Service, USDA.

Sweet Cherries Dominate Production

U.S. cherry production changes substantially from year to year, due mostly to weather factors and to some extent due to the alternate-bearing tendency of the trees. Over the last 3 years, the United States produced an average of 370,000 tons (740 million pounds) of cherries. Sweet cherries made up more than half of the volume produced, while tart cherries, also known as “sour cherries”, accounted for the remainder (fig.7).

Ranked as the eighth most valuable fruit and tree nut crop during 2000, commercial cherry production generated \$327 million in U.S. farm cash receipts that year, up from \$135 million in 1980. Sweet cherries accounted for over 80 percent of this value.

Production of both sweet and tart cherries increased during the 1990s relative to the 1980s (tables 14 and 15). Although sweet cherry production dominated overall domestic cherry output, the growth in U.S. tart cherry output, attributed mainly to higher yields per acre, outpaced the expansion in U.S. sweet cherry production during the past decade. Sweet cherry yields averaged about the same during the past two decades, but the expansion in acreage led to the overall increase in production.

Pacific Northwest and Michigan are Leaders in U.S. Cherry Production

Requiring a winter dormant period for proper development and fruit production, cherries are not well adapted to most areas of the United States. Commercial production is concentrated in the northern portion of the country where there is sufficient winter cold to get the cherry buds to open properly in the spring. Also, because summers in the southern and central United States are typically long and hot, cherry growers face more difficulties in controlling for pests and diseases.

Table 15--Cherries, tart: Production, utilization, and season-average grower price, United States, 1980 to date

Year	Production		Utilization		Grower price		
	Total	Utilized	Fresh	Processed	Fresh	Processed	All
--Million pounds--							
1980	218.1	216.2	6.3	209.9	29.5	19.9	20.2
1981	133.2	132.8	4.0	128.8	42.7	44.5	44.5
1982	310.9	244.9	7.4	237.5	27.6	13.7	14.1
1983	154.6	153.6	5.3	148.3	48.5	46.5	46.6
1984	271.6	255.9	7.9	248.0	44.2	24.4	25.0
1985	286.2	280.2	7.6	272.6	33.4	22.1	22.4
1986	224.1	218.4	5.5	212.9	32.3	20.0	20.3
1987	359.0	286.0	9.1	276.9	23.3	7.3	7.8
1988	236.2	233.5	5.0	228.5	43.9	18.2	18.7
1989	264.1	243.0	6.7	236.3	34.4	14.0	14.5
1990	208.8	202.9	5.1	197.8	38.3	17.6	18.1
1991	189.9	189.7	3.7	186.0	45.9	46.4	46.4
1992	335.1	313.0	8.8	304.2	38.9	17.0	17.6
1993	340.4	273.6	5.3	268.3	39.9	11.6	12.1
1994	304.2	296.3	3.5	292.8	43.6	16.0	16.3
1995	395.6	311.2	2.7	308.5	44.4	5.6	5.9
1996	271.8	260.1	2.5	257.6	48.1	15.7	16.1
1997	292.9	283.3	2.6	280.7	56.3	15.5	15.9
1998	348.1	305.6	2.3	303.3	49.4	14.2	14.5
1999	256.1	254.1	1.8	252.3	56.2	21.6	21.8
2000	288.5	281.4	1.8	279.6	57.5	18.4	18.7
2001	369.3	308.1	1.9	306.2	53.8	16.2	16.5
--Cents/pound--							

Source: National Agricultural Statistics Service, USDA.

Over 85 percent of commercial U.S. sweet cherry production are harvested from orchards in the Pacific Northwestern States of Washington, California, and Oregon according to data from USDA's National Agricultural Statistics Service (NASS). Michigan also produces a significant volume of sweet cherries (about one-tenth of total U.S. production) but it is better known for being the country's dominant producer of tart cherries, producing about three-quarters of the U.S. tart cherry crop.

The 1997 Census of Agriculture reports that 60 percent of all U.S. farms growing sweet cherries and 78 percent of sweet cherry acreage are housed in the leading Pacific Northwestern States. Washington alone accounted for 27 percent of U.S. sweet cherry farms and 30 percent of sweet cherry acreage. Meanwhile, Michigan housed 32 percent of U.S. tart cherry farms and 73 percent of tart cherry acreage during 1997. NASS also reports sweet cherry production in Idaho, Montana, New York, Pennsylvania, and Utah. These five States each account for less than 1 percent of the U.S. sweet cherry crop. New York, the State of Washington, and Utah each produce over 7 percent of total tart cherry output while production in Wisconsin, Pennsylvania, and Oregon range from 2 percent to 4 percent.

Cherries Available in Many Product Forms

In the United States, cherries are consumed in many forms—fresh, frozen, canned, juice, wine, brined, and dried. About 60 percent of the U.S. sweet cherry crop is typically used fresh. Those that cannot be effectively marketed during the short harvest season, or those that do not meet fresh-grade standards (usually those that are undersized and/or blemished) are processed. Maraschino cherries—the kind most often used in drinks or ice cream sundaes—are made from sweet cherries. Unlike other processed cherries, maraschino cherries also require preservation of good fruit appearance and shape in its final form. Brining is the first step in the maraschino process. Nearly 70 percent of the sweet cherries processed in 1999-2001 were brined and used in candies, ice cream, and fruit cakes, as examples. The rest were canned (about 12 percent), frozen, dried, or used for juice.

Eighty-four percent of U.S.-grown fresh-market sweet cherries are from Washington (52 percent) and California (32 percent). Oregon and Michigan, also

important producers of sweet cherries, produce mainly for the processing market.

Very seasonal in nature, fresh-market sweet cherries are marketed from May through early August. California opens the market each year with shipments running from May through June. Shipments from Washington, on the other hand, often begin in June. To minimize any damage to the fruit, all fresh-market sweet cherries are harvested by hand. Processing cherries, on the other hand, are mostly harvested mechanically. Oregon and Michigan growers, however, often manually harvest their sweet cherries as they are used primarily for the manufacture of maraschino cherries.

The principal market for tart cherries is processing. Similar to sweet cherries, the harvesting of tart cherries is also highly seasonal and runs from June through early August. However, because most of these cherries are processed, supplies are available throughout the year. Only less than 1 percent of the U.S. tart cherry crop is for fresh use. The processed products are primarily used in baking and cooking. More than half of the processing cherries were frozen in 1999-2001, more than one-third were canned, and over one-tenth were brined, dried, or used for juice and wine.

Cherries are More than Just a Good-Tasting Fruit

Cherries serve as one among several traditional fruit crops grown in the United States. Aside from its versatility and good taste, cherries boasts the high nutritional value it offers consumers. It is a rich source of antioxidants known to help prevent cancer and heart disease. Cherries also contain compounds that help relieve the pain associated with arthritis, gout, and headaches. Cherries were already popular among U.S. consumers even prior to the 1990s when more emphasis was devoted to research findings reporting on the health benefits of consuming specific fruit and vegetables—that which have proved helpful in boosting overall fruit and vegetable consumption in the United States.

On average, Americans consume an average of 1.5 pounds of fresh and processed cherries annually. Consumption, especially of fresh cherries, varies widely from year to year, due to annual variations in domestic production. Imports of fresh, canned, and

frozen cherries do little to help stabilize supplies because they each represent very small volumes relative to what is produced domestically.

Americans consume more frozen cherries each year than fresh. During the 1990s, U.S. consumption of frozen cherries averaged 0.71 pound per person, fresh-weight equivalent. About 90 percent of this average consumption were tart cherries. U.S. fresh cherry consumption, on the other hand, averaged 0.46 pound per person for the same period, almost all of which were sweet cherries. Canned consumption, meanwhile, averaged 0.28 pound per person, with over 85 percent tart cherries.

Average per capita consumption of fresh sweet cherries declined 18 percent during the 1990s relative to the 1980s. For the same period, average per capita consumption of frozen cherries also declined but only slightly. Average fresh-market sweet cherry production increased during the 1990s, but rising export demand since the late 1980s has limited the amount of cherries available for domestic consumption (fig.8). Unlike fresh-market cherries, frozen cherries are storable and therefore inventories help to smooth out wide swings in production. In addition, frozen cherry exports are small in volume relative to domestic supplies.

Fresh cherry exports during 2001 were at a record-high, but the record-large domestic crop helped boost consumption. At 0.78 pound per person, U.S. sweet cherry consumption in 2001 was the highest since 1976.

U.S. Sweet Cherries Lead in World Fresh Cherry Exports

U.S. sweet cherry growers continue to remain competitive in the international market. Due to strong demand overseas and higher export prices relative to domestic prices, U.S. sweet cherry growers, mainly in Washington and California, have expanded the role of foreign markets to the domestic industry over the last two decades. Increasing in volume, exports averaged 34 percent of domestic production during the 1990s, up from an average of

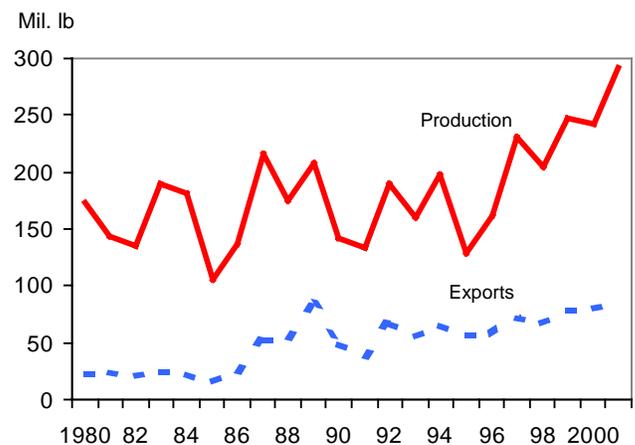
21 percent during the 1980s and about triple the average share during the mid-1970s. The average per unit export value of U.S. sweet cherries during 1995-2000 was substantially higher than that of the world, including leading exporters, reflecting premium prices U.S. growers received for the high-quality sweet cherries they marketed internationally.

Technological advances in production and marketing helped boost export demand over time. The United States is the world's largest cherry exporter, accounting for a quarter of the average volume exported during 1995-2000. Hungary, Turkey, Spain and Italy complete the top five exporters. Together, these five leading exporters supply approximately 65 percent of the world's export volume, based on data from the United Nations Statistical Office.

Japan continues to dominate the export market for U.S. sweet cherries, taking in over 40 percent of all U.S. shipments. Despite the recent economic slowdown in Japan, U.S. fresh cherry shipments to this important export market remained large during 2001, at 39.7 million pounds. Canada, Taiwan, Hong Kong, and the United Kingdom are also important markets with a combined share of over 40 percent of U.S. sweet cherry exports.

Figure 8

U.S. fresh sweet cherries: Production and exports



Sources: National Agricultural Statistics Service, U.S. Department of Agriculture and Bureau of the Census, U.S. Department of Commerce.

China: An Emerging Market for Fresh Fruit Exporters

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Abstract: China, the world's eighth largest fruit and vegetable exporter, has been a net importer of fresh fruits since 1998. The United States' share in China's fresh fruit import market has been relatively small, but has grown rapidly since the mid-1990s, in part because of China's relaxation of trade barriers. China's imports from the United States are concentrated on three categories of fruits: grapes, citrus fruits, and apples. The prospects for U.S. exporters are good despite domestic and foreign competition.

Keywords: China, United States, fresh fruits, WTO, market access, grapes, citrus fruits, apples.

China has been a large net exporter in its overall trade in fruits and vegetables for decades. Exports exceeded imports by nearly eight times, and China ranked eighth in world exports of fruits and vegetables during 1998-2000. China's fresh fruit trade has been an exception, however. Imports have increased so drastically since the mid-1990s that China has been a net importer of fresh fruits since 1998 (fig. A-1). Fresh fruit imports have become the dominant item in China's overall imports of fruits and vegetables, increasing uninterruptedly from less than 20 percent of total import value of fruits and vegetables in the early 1990s to more than 60 percent in 2000. The surging fresh fruit imports were made possible in part because of China's relaxation of trade barriers since the mid-1990s. With its accession to the World Trade Organization (WTO) in late 2001, China is expected to further relax its trade barriers for imports, including fresh fruits, providing increased market opportunities for global exporters.

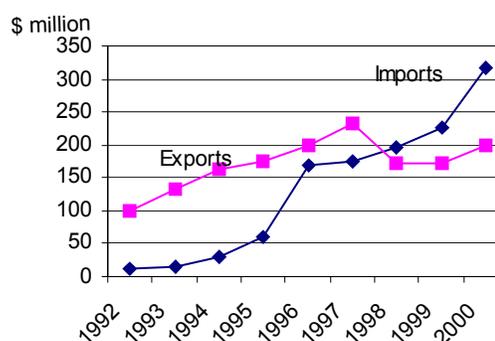
Changing Composition of China's Fresh Fruit Imports

For years, fresh fruit imports in China—the world's largest fruit producer—were mainly to supplement domestic production in certain kinds of fruits. Traditionally, tropical fruits such as bananas, guavas, and mangoes dominated China's fresh fruit imports.

In the 1990s, while banana imports continued to gain ground, the relative importance of other tropical fruit imports declined considerably. Meanwhile, imports

Figure A-1

China: A net fresh fruit importer since 1998



Source: United Nations trade data.

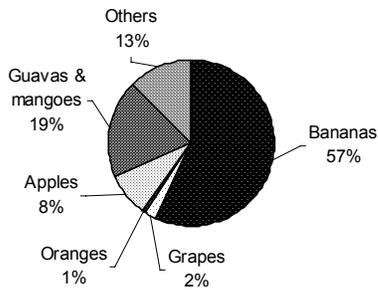
of oranges and grapes surged dramatically, so their share in the overall composition of China's fresh fruit imports increased substantially by the late 1990s. Even as apples became a smaller proportion of fresh fruit imports, the total quantity of apple imports grew and continued to be one of China's major fresh fruit imports in the 1990s. The changing structure in the composition of China's fresh fruit imports in 1992-94 compared with 1998-2000 is shown in figures A-2 and A-3.

Because of China's heavy leaning toward tropical fruits in its fresh fruit imports, South America and countries in the Association of Southeast Asian Nations (ASEAN) are naturally China's main suppliers. During 1998-2000, ASEAN accounted for 46 percent of China's fresh fruit import market, while

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Figure A-2

Composition of China's fresh fruit imports, average value of 1992-94



Source: United Nations trade data.

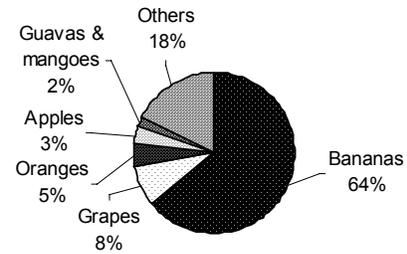
the share from South America was 35 percent (fig. A-4). Most of China's fresh fruit imports from South America are bananas (mainly from Ecuador) and, to a much smaller degree and only recently, grapes (mainly from Chile). China's main fresh fruit imports from ASEAN are also bananas (mainly from the Philippines) and, to a lesser degree, other tropical fruits such as guavas and mangoes. In comparison, the United States' share in China's fresh fruit import market is relatively small. The U.S. share, however, grew the fastest in the 1990s—from less than 4 percent of China's fresh fruit import market in 1992-94 to nearly 10 percent in 1998-2000. This growth in the U.S. share would be even more dramatic if banana imports were excluded—from 8 percent in 1992-94 to nearly 27 percent in 1998-2000. China's major fresh fruit imports from the United States during 1998-2000 included grapes, oranges, and apples. The last important supplier for China's fresh fruit imports is Oceania countries (mainly Australia and New Zealand), with a 5-percent share in China's market during 1998-2000, supplying mainly citrus fruits and apples.

Improved Market Access Through Relaxation of Trade Barriers

The growing size of China's fresh fruit imports is in part due to the relaxation of its trade barriers, particularly its stringent phytosanitary regulations. In October 1992, the United States and China signed a market access memorandum of understanding that called for the adoption of import quarantine regulations to be based on sound science. Since then, China's official door for fresh fruit imports has opened gradually. By the end of 1993, China had eliminated its phytosanitary restriction to permit the

Figure A-3

Composition of China's fresh fruit imports, average value of 1998-2000

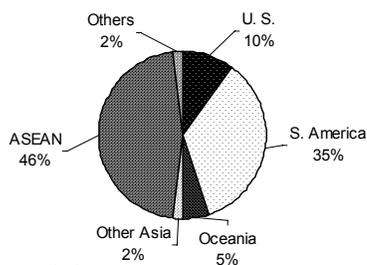


Source: United Nations trade data.

import of apples from Washington State. Changes, however, were slowly occurring in China's official trade regimes. Until 1995, Washington apples were still the only U.S. fruits that could enter China's market officially. The only legal exceptions were for small amounts of other types of U.S. fresh fruit for hotel/restaurant use or special events such as trade shows. Even then, the imports were only by special permission from the China Animal and Plant Quarantine Service of the Ministry of Agriculture.

Between 1995 and 1998, however, China made some progress on agricultural sanitary and phytosanitary issues by signing bilateral protocols for several agricultural items, including fresh fruits. A notable example included apples from Oregon and Idaho, in addition to Washington (April 1995); cherries from Washington (March 1996); grapes from California (May 1997); and cherries from Oregon, Idaho, and California in addition to Washington (May 1998). Moreover, by May 1998, all of California's table grape-producing regions had gained market access to China. Later on, in April 1999, China and the United States signed an agricultural trade agreement that was part of China's WTO membership bid. The agreement included the lifting of Chinese phytosanitary restrictions on the importation of American fresh citrus fruit from Arizona, California, Florida, and Texas. Recently, China added more counties in the four States mentioned above to the list of approved export origins. In March 2000, the first official shipment of California oranges in 20 years made its way to Shanghai and Beijing. For two decades, China had used Mediterranean fruit fly

Figure A-4
Sources of China's fresh fruit imports
(average value of 1998-2000)



Source: United Nations trade data.

occurrences in urban Los Angeles in the 1970s as a reason to ban the entry of all citrus fruit from the United States into China.

The entry agreement for China's accession to the WTO in December 2001 will further relax China's trade barriers. In the agreement, the tariffs for several fresh fruits, including grapes, oranges, apples, and cherries, will be reduced more than two-thirds by January 2004. Specifically, tariffs on oranges, lemons, and grapefruit will be gradually reduced from pre-WTO levels of 40 percent to 12 percent; the tariffs on apples, pears, cherries, and peaches will be lowered from 30 percent to 10 percent; and the tariff on grapes will fall from 40 percent to 13 percent. China's Value-Added Tax (VAT) on all imports, however, remains and the rates are unchanged. The current VAT rates for all varieties of fresh fruit are 13 percent on the total value of imports. In addition to agreeing on the tariff reduction, China committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary Measures, which requires that all animal, plant, and human health import requirements be based on sound science.

The Prospects for U.S. Exporters are Good Despite Domestic and Foreign Competition

According to the United Nations Trade Statistics, three categories of fruits alone accounted for 98 percent of China's fresh fruit imports from the United States during 1998-2000: grapes (57%), citrus fruits (24%), and apples (17%). China is a net importer of grapes. However, China is a large producer of apples and citrus fruits--the largest in the world for apples and the third largest for citrus fruit, after Brazil and the United States. According to China's official statistics, it produced 20.43 million tons of apples, 8.78 million tons of citrus fruits, and 3.28 million tons

of grapes in 2000. In addition to the competition from domestic production, U.S. exporters also face other foreign competitors that are aggressively making inroads into China. Australia, South Africa, New Zealand, and Chile have already gained significant presence on the produce market. Despite this competition for the vast and growing fresh fruits market in China, the prospects for U.S. fresh fruit exports to China remain good.

Compared with imported produce, China's quality is poor. In general, the quality of local Chinese produce is still poor--only one-third of all fruits are of good quality and only 5 percent out of the total production are competitive in the world market. Even if China can produce good quality fruits, their quality quickly declines after harvesting because of limited cold storage facilities and outdated post-harvest technology. Although China's fruit distribution and storage infrastructure improved over the last several years, post-harvest technology gaps remain. According to China's Ministry of Agriculture, storage capacity for the country's total fruit production amounts to about 20 percent of each year's crop. This percentage includes simple on-site underground storage facilities. Furthermore, post-harvest practices of washing, waxing, and packing tend to be rare. The challenge for China's growers to maintain their quality after harvesting is serious when considering the highly perishable character of fresh fruits and also that many varieties of the same fruit may ripen at the same time period. For example, for the millions of tons of apples that China produces annually, the harvest season starts in August and continues until November, but much of the actual harvesting occurs in October. Similarly, approximately 80 percent of China's citrus is harvested during the months of November and December, while most of China's grapes are harvested between the months of August and October every year.

China will continue to be a good market for some varieties of U.S. fresh fruits. U.S. table grapes that Chinese consumers prefer, such as Red Globes and Flames, have almost no domestic rival. In the late 1990s, Red Globe grape production made its debut in China, but the acreage presently is limited. During 1998-2000, U.S. grapes accounted for two-thirds of China's grape import market. The main foreign competitor is Chile. With a 30-percent market share, Chilean Red Globes are seen in China largely when California's product is out of season.

Although China is a major citrus producer, imports--mainly oranges--compete favorably compared with domestically produced alternatives that are often blemished and not uniform in size. In addition, most local production are tangerines rather than oranges. Orange imports, however, tend to be greatest during the summer when domestic citrus production is not in season. According to China's official data, the United States had a 56-percent share in China's citrus import market in 2000. Other major importers included New Zealand and South Africa.

China's domestic apple availability peaks in late fall, with Fuji apples accounting for half of the production. In general, domestic fruit is quite seasonal and not usually allocated space in cold storage because of its low value. Even faced with stiff domestic competition in the case of apples, imported U.S. Red Delicious apples--much higher than domestic prices--are widely available in China. While U.S. apples dominate China's apple import market, competition in the market remains strong, particularly from New Zealand Gala apples.

In general, imported fresh fruits sell well in China despite higher retail prices versus domestic produce. Many consumers, though price conscious, trust the quality of imports and are willing to pay higher prices. U.S. fresh fruits, in particular, are quite appealing to the Chinese because the fruits convey a certain expectation of quality. For example, California table grapes, Sunkist citrus, and Washington Red Delicious apples are well recognized by China's urban consumers, and these fruits are prized as the best tasting and most attractive fruits among the imports.

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